

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 H-02 SS-15 SSO-00 /030 R

DRAFTED BY EUR/EE:TPHDUNLOP/LVA

APPROVED BY EUR/EE:TPHDUNLOP

EUR/SOV:WEDGAR

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O 122130Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE

UNCLAS STATE 190915

E.O. 11652: N/A

TAGS: OREP, SO

SUBJECT: CODEL ALBERT: CROP REPORT AND PRESS ROUNDUP

PLEASE DELIVER TO U.S. REPRESENTATIVE THOMAS S. FOLEY
(CODEL ALBERT) FROM BRANDT/MOOS

1. N.Y. TIMES FRONT PAGED STORY WITH LEAD "BUTZ CALLS FOR SUSPENSION OF GRAIN SALES TO MOSCOW." EMPHASIS PLACED ON REDUCTION CORN CROP DUE TO ADVERSE WEATHER AND SECRETARY'S CALL TO GRAIN COMPANIES TO WITHHOLD TEMPORARILY FURTHER SALES TO THE SOVIETS. STORY NOTED ACTION ON EXPORTS CAME AS NO SURPRISE TO COMPANIES WHICH HAVE ASSUMED NO FURTHER SALES UNTIL SEPTEMBER CROP REPORT. BUTZ DECLINED TO SET TIME WHEN SALES POLICY MIGHT BE CHANGED BUT SAID POLICY WOULD BE REVIEWED AT REGULAR INTERVALS AND LEFT NO DOUBT HE EXPECTED FURTHER SALES TO USSR- "WE DO WANT TO SELL MORE-TO USSR AND IF THIS CROP MATERIALIZES IT WILL BE EASILY WITHIN OUR CAPACITY TO DO SO."

2. WASHINGTON POST IN LEFT COLUMN HEADLINE, "CROP SALE FREEZE EXTENDED -- BUTZ LINKS FUTURE DEALS TO GRAIN DATA." MORGAN EMPHASIZED BUTZ ACTION AND DECLINE IN CORN ESTIMATES. NOTED BUTZ STATEMENT THAT POLICY OF CAUTION IS CALLED FOR UNCLASSIFIED

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BECAUSE "THERE IS ALWAYS A CHANCE YOU MIGHT GET BAD WEATHER.

MORGAN POINTED OUT AUGUST ESTIMATES HAVE VARIED FROM FINAL CORN HARVEST BY AS MUCH AS 625 MILLION BUSHELS IN

THE LAST FIVE YEARS. ALSO EMPHASIZED CANADIAN FINAL WHEAT ESTIMATE NOT DUE TO SEPTEMBER 5 AND THAT CANADIAN CROP KEY INDICATOR ON INTERNATIONAL AVAILABILITY.

3. STORY ALSO RAISED FOLLOWING POINTS CITING "OFFICIALS":

A. UNFAVORABLE WEATHER WESTERN EUROPE;

B. INABILITY SOVIETS TO MEET NORMAL 5 MILLION TONS SUPPLY OF TOTAL EAST EUROPEAN IMPORT REQUIREMENT OF 10 MILLION TONS;

C. SOVIETS HAVE STAYED OUT OF US MARKET LAST SEVERAL WEEKS IN HOPES PRICES WILL SLUMP AGAIN.

4. BOTH POST AND TIMES REPORTED BUTZ VIEW THAT SOVIET PURCHASES TO DATE FROM US WILL HAVE ONLY "NEGLIGIBLE IMPACT" ON FOOD PRICES IN THIS COUNTRY. AND MORGAN NOTED THAT CROP REPORT INDICATED RECORD RICE CROP, SHARP INCREASE IN SOYBEANS AND SUGAR BEETS.

5. BOTH PAPERS ALSO REPORTED AT LENGTH REVISED SOVIET CROP ESTIMATE OF 180 MILLION TONS, RELEASED BY DICK BELL. USDA SAID 3 MAN SPRING WHEAT TEAM JUST RETURNED AFTER VISITING THIRD OF SOVIET WHEAT PRODUCING AREA AND "NO DISASTER CONDITIONS WERE OBSERVED." MORGAN AGAIN NOTED "CIA ESTIMATE" OF 165 MILLION TONS BUT NO COMMENT OR REACTION BY USDA CARRIED.

6. MORGAN QUOTES BUTZ AS FOLLOWING ON GENERAL POSTURE RE SALES: WANT SOVIETS TO BUY IN "EVEN, STEADY" WAY RATHER THAN MAKE SUDDEN HUGE PURCHASES OF THE KIND THAT HAVE DISRUPTED TRADE IN PAST. FREEZE ON SALES WOULD NOT HURT SOVIETS SINCE SOVIET PORT CAPACITY ONLY 2 MILLION A MONTH SO THAT 14 MILLION TONS PURCHASED WORLD WIDE COULD NOT BE SHIPPED UNTIL NEXT YEAR ANY WAY.

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7. BUTZ ALSO REPORTED AS SAYING "WAR OF NERVES" EXISTS BETWEEN LONGSHOREMAN (ILA) AND GOVERNMENT WITH ILA BOYCOTT THREAT A "PRESSURE PLOY" INVOLVING FUTURE GOVERNMENT SUBSIDIES TO SHIPPING INDUSTRY.

8. BALTIMORE SUN, WASHINGTON STAR ALSO FRONT PAGED SIMILAR BUT BRIEFER STORIES, AND NY NEWS GAVE PLAY ON LOWER INSIDE PAGE 2. WS JOURNAL ALSO RAN STORY INSIDE, PAGE 2, WITH LEAD "BUTZ PLACES INDEFINITE LID ON GRAIN SALES TO

RUSSIA DUE TO LOWERED CROP FORECASTS." CARRIED BUTZ COMMENTS THAT IF US CORN CROP HARVESTED WITHOUT FURTHER SUBSTANTIAL LOSS NEW SALES TO RUSSIA WON'T HAVE A SIGNIFI-

CANT IMPACT ON CONSUMER FOOD PRICES. PAARLBERG REPORTED THAT USDA FOOD-PRICE INFLATION REPORT DUE AUGUST 21, BUT DEPARTMENT STILL STICKING WITH 6-8 PERCENT INCREASE IN FOOD PRICES FOR 1975.

9. COMMENT: TONE OF PRESS REPORTS FAIRLY OBJECTIVE AND REMARKS BY BUTZ AND BELL GIVEN GOOD COVERAGE WITH EMPHASIS ON BUTZ CONTINUING LID ON SALES UNTIL MORE DEFINITE DATA COMES IN.

SUMMARY: AUGUST 11 CROP REPORT

10. CORN

PRODUCTION OF CORN FOR GRAIN IS FORECAST AT A RECORD 5,850 MILLION BUSHEL (149 METRIC TONS) 3 PERCENT BELOW THE JULY 1 FORECAST, BUT 26 PERCENT ABOVE 1974 CROP. AVERAGE YIELD ESTIMATED FOR 1975 IS 87.4 BUSHEL, A DECREASE OF 3 BUSHEL FROM JULY 1. COMPARES WITH 71.3 BUSHEL LAST YEAR, AND 91.2 BUSHEL IN 1973. MAJOR DECREASES OCCURRED IN IOWA, MISSOURI AND SOUTH DAKOTA, WITH REDUCTIONS OF 15, 13, AND 10 BUSHEL, RESPECTIVELY. ACREAGE FOR HARVEST IS ESTIMATED AT 66.9 MILLION ACRES, 3 PERCENT ABOVE LAST YEAR.

11. ALL WHEAT

PRODUCTION IS FORECAST AT A RECORD 2,141 MILLION BUSHEL, UNCLASSIFIED

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DOWN 47 MILLION BUSHEL FROM JULY 1 ESTIMATE. THIS IS 9 PERCENT MORE THAN LAST YEARS RECORD CROP AND 26 PERCENT MORE THAN 1973. ACREAGE FOR HARVEST AT 69 MILLION ACRES IS 5 PERCENT ABOVE LAST YEAR AND 28 PERCENT ABOVE 1973. THE INDICATED YIELD OF 31.1 BUSHEL PER ACRE COMPARES TO 27.4 IN 1974 AND 31.7 BUSHEL IN 1973. WINTER WHEAT ESTIMATES SAME AS JULY 1 ESTIMATES. DURUM AND SPRING WHEAT ESTIMATES DOWN 6 AND 9 PERCENT RESPECTIVELY SINCE JULY 1 BECAUSE OF HEAT SPELL IN NORTHERN PLAINS.

12. SOYBEANS

SOYBEAN FORECAST OF 1,458 MILLION BUSHEL IS 18 PERCENT MORE THAN 1974 CROP. ACREAGE FOR HARVEST ESTIMATED AT 54.6 MILLION ACRES UP 2 PERCENT FROM 1974.

13. SORGHUM

1975 ESTIMATED PRODUCTION IS 811 MILLION BUSHEL, UP 29 PERCENT FROM LAST YEAR. SORGHUM ACREAGE IS ESTIMATED AT 14.8 MILLION ACRES, UP 7 PERCENT FROM LAST YEAR.

14. SUGAR CROPS

SUGARBEET PROSPECTS, AT 28.1 MILLION SHORT TONS, ARE UP 27 PERCENT FROM THE PREVIOUS YEAR. SUGARCANE FORECAST OF 28.5 MILLION SHORT TONS IS 14 PERCENT ABOVE 1974.

15. REVISED U.S. SUPPLY/DEMAND ESTIMATES:

WHEAT

1974-75 CARRYOVER	319 MILLION BUSHEL
1975-76 PRODUCTION	2,141 MILLION BUSHEL
TOTAL AVAILABILITY	2,460 MILLION BUSHEL

DOMESTIC USE	737-686 MILLION BUSHEL
EXPORTS	1,150-1,350 MILLION BUSHEL

PROJECTED 1975-76 CARRYOVER 573-424 MILLION BUSHEL

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CORN

1974-75 CARRYOVER	335 MILLION BUSHEL
1975-76 PRODUCTION	5,850 MILLION BUSHEL
TOTAL AVAILABILITY	6,185 MILLION BUSHEL

DOMESTIC USE	3,965-4,265 MILLION BUSHEL
EXPORTS	1,500-1,300 MILLION BUSHEL

PROJECTED 1975-76 CARRYOVER 700-620 MILLION BUSHEL

16. IT SHOULD BE NOTED THAT THE PROJECTED EXPORTS FOR BOTH WHEAT AND CORN INCLUDE AMOUNTS OF PROJECTED SALES TO THE SOVIETS OF AT LEAST 5 MILLION METRIC TONS OF EACH WHEAT AND CORN. PROBABLY, THESE FIGURES INCLUDE GREATER AMOUNTS, BUT THE USDA IS PRESENTLY NOT SHARING THIS INFORMATION.

USDA FORECASTS 180 MILLION TONS USSR GRAIN CROP. USSR IMPORT REQUIREMENTS NOW ESTIMATED AT 25 MILLION TONS WORLDWIDE. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CODELS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE190915
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/EE:TPHDUNLOP/LVA
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750278-0940
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197508100/baaaarus.tel
Line Count: 209
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 16 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 Sep 2003 by MorefiRH>; APPROVED <12 JAN 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: OREP, SO, UR, (ALBERT, CARL)
To: MOSCOW
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006